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TO AMEMBASSY CAIRO PRIORITY

C O N F I D E N T I A L STATE 034091

FOR UNDER SECRETARY ROBINSON'S PARTY FROM CASEY

FOLLOWING REPEAT JIDDA 974 ACTION SECSTATE INFO AMMAN

ABU DHABI BEIRUT CAIRO KHARTOUM DAMASCUS KUWAIT

MANAMA TEHRAN 10 FEBRUARY.

QUOTE

C O N F I D E N T I A L JIDDA 0974

BEIRUT PASS BAGHDAD

E.O.: 11652: GDSO

TAGS: EFIN, SA, US, SU, JO

SUBJ: EX-IM BANK: DISCUSSIONS ON COOPERATIVE FINANCING

REF : A. JIDDA 0670; B. STATE 19010; C. BEIRUT 1661;

D. AMMAN 0869

SUMMARY: THE RECENT VISIT BY EXPORT-IMPORT BANK OFFICIALS
TO SAUDI ARABIA WAS TOO SHORT AND TOO EARLY TO GIVE AN
ACCURATE PICTURE OF THE SAUDI RESPONSE TO PROPOSALS FOR
COOPERATIVE FINANCING. ALTHOUGH THE RESPONSES RECEIVED
WERE GENERALLY VAGUE AND SEEMED DISCOURAGING, WE ARE CON-
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VINced THAT CHAIRMAN CASEY'S INITIATIVE IS SOUND AND

CONTINUES TO OFFER MUCH PROMISE. IT WOULD BE WRONG IF EX-IM WERE TO SOFT PEDDLE OR CUT BACK ON ITS EFFORT TO ATTRACT MONEY FROM HERE. ESPECIALLY FROM SAMA. THE EMBASSY BELIEVES A GREAT DEAL OF EFFORT IS JUSTIFIED, AND WE ARE PREPARED TO COOPERATE FULLY WITH EX-IM IN MAKING THAT EFFORT. END SUMMARY.

1. EX-IM VICE PRESIDENT NORRIS AND DEPUTY VICE PRESIDENT MORAN SPENT ONE WORKING DAY IN SAUDI ARABIA ON FEBRUARY 4, FOLLOWING UP ON A LETTER FROM EX-IM CHAIRMAN CASEY (SEE REFTEL A.). THE LETTER SET FORTH A TRILATERAL FINANCING OPPORTUNITY INVOLVING LOCOMOTIVES FOR JORDAN. UNFORTUNATELY THE PROPOSAL, WHICH THE AMBASSADOR PRESENTED TO THE GOVERNOR OF THE SAUDI ARABIAN MONETARY AGENCY ON JANUARY 28, HAD NOT HAD TIME TO BE DISSEMINATED TO THE NECESSARY SAUDI OFFICES. IN FACT NONE OF THE SAUDI OFFICIALS CONTACTED (INCLUDING SAMA) HAD SEEN IT. IN ADDITIONAL, THE TRIP WAS OF SUCH SHORT DURATION THAT ONLY BRIEF APPOINTMENTS COULD BE SET UP WITH OFFICIALS WHO WERE IN TWO CASES NOT KEY DECISION MAKERS. THE VISITORS SAW DR. TRUKI IN THE MINISTRY OF FINANCE; MR. AL IBRAHIM, PRESIDENT OF THE ARAB INVESTMENT COMPANY; MR. DETRIE, MANAGING DIRECTOR OF THE SAUDI INDUSTRIAL DEVELOPMENT FUND; AND THE "EX" WHITE, WELD PERSONNEL ADVISING SAMA ON INVESTMENT POLICY.

2. IN THE FUTURE, WE WOULD HOPE TO HAVE ADEQUATE TIME TO DO THE NECESSARY SPADE WORK, BEFORE ATTEMPTING AN OFFICIAL VISIT OF THIS KIND. TRIPS TO EXPLAIN A PROJECT WHICH IS STILL VERY TENTATIVE AND WHICH WAS INTENDED TO BE A FEELER ARE NOT UNDERSTOOD IN THE SAUDI GOVERNMENT AND TEND TO CREATE SUSPICION AND EVEN SOME RELUCTANCE.

3. FROM THIS TRIP, THE EMBASSY REACHES TWO CONCLUSIONS REGARDING THE EX-IM PROPOSAL. FIRST, IT IS STILL A LITTLE TOO EARLY FORMALLY TO APPROACH THE SAUDI GOVERNMENT REGARDING DIRECT FINANCING OF THIS KIND. ALTHOUGH DR. TURKI, OF THE FINANCE MINISTRY, REFLECTED THE INTEREST SHOW LAST YEAR BY MINSTATE FOR FINANCE, ABA AL-KHAYL (TO CHAIRMAN CASEY), HE ALSO DEMONSTRATED CLEARLY THE LACK OF FINAL DECISION MAKING WITHIN THE FINANCE MINISTRY ON THIS

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SUBJECT. DESPITE ADVANCE REQUESTS BY THE EMBASSY, HE HAD NOT EVEN SEEN THE PROPOSAL, NOR HAD HE BEEN BRIEFED. THE SAUDI ECONOMIC DEVELOPMENT FUND DOES NOT YET HAVE A STAFF, NOR DOES IT HAVE A MANAGING DIRECTOR. THUS, THIS VERY ATTRACTIVE \$2.8 BILLION FUND -- WHICH WILL BE INVESTED SOLELY IN LDGS -- REMAINS OUT OF REACH. IN FACT, THE MEETING WITH DETRIE (WHOSE FUND IS EXPERIENCING DEFINITE LABOR PAINS) ILLUSTRATED VERY CLEARLY THE DIFFICULTIES

THE DEVELOPMENT FUND WILL HAVE GETTING OFF THE GROUND WHEN IT DOES BEGIN TO RECRUIT STAFF AND GO INTO OPERATION. (THERE IS STILL NO QUESTION THAT THE FINANCE MINISTRY MUST BE CONSULTED ON EVERY INITIATIVE. THEY CERTAINLY HAVE VETO POWER.

4. SECONDLY, THERE IS A CLEAR DICHOTOMY OF ATTITUDE WITHIN SAMA. ON THE ONE HAND, REPRESENTED BY THE NEW ADVISORS WE SAW, IS THE CENTRAL BANK ATTITUDE OF : "INVEST ONLY IN TOP GRADE, GOVERNMENT GUARANTEED DEBT INSTRUMENTS", DEAL IN NO PROJECT LESS THAN \$25 MILLION IN MAGNITUDE AND TRY TO KEEP THE DEALS ABOVE \$50 MILLION IF AT ALL POSSIBLE; BETTER YET \$500 MILLION TO \$1000 MILLION (IT IS TRULY DIFFICULT TO "GIVE AWAY" MONEY IN THE QUANTITIES SAMA HAS TO DEAL WITH.). INSIST ON A VERY SOUND FINANCIAL ARRANGEMENT WHICH IS AS SIMPLE AS POSSIBLE, UP TO AND INCLUDING SIMPLE 10 YEAR NOTES IN WHICH THE PRINCIPLE IS PAYABLE ON REACHING MATURITY, AND STRIVE FOR ANONYMITY IN ALL TRANSACTIONS. THIS ATTITUDE WAS WELL REPRESENTED BY THE VERY TOUGH GROUP OF WHITE WELD TYPES. ON THE OTHER HAND, WE KNOW ELEMENTS AT THE TOP OF SAMA ARE CLOSELY IN TOUCH WITH THE TOP LEVELS OF THE MINISTRY OF FINANCE ON SUCH MATTERS AND ARE INDEED WILLING TO LISTEN TO APPLICATIONS FOR ASSISTANCE WHICH, EVEN IF NOT CONCESSIONARY BY NATURE (AS THE EX-IM PROPOSAL IS NOT), DO NOT QUITE FIT THE CRITERIA OF THE TRADITIONAL CENTRAL BANKER'S APPROACH, AND MIGHT HAVE POLITICAL SIGNIFICANCE. WE THINK THE THINKERS IN THIS LATTER CAMP WILL BE RECEPTIVE TO THIS AND/OR FUTURE EX-IM PROPOSALS.

5. IT WOULD BE WRONG IF EX-IM WERE TO GET THE IMPRESSION THAT SAMA IS UNWILLING OR UNCAPABLE OF LISTENING TO OR ACTING ON PROPOSALS. SAMA WILL HAVE MORE MONEY TO DIS-
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PENSE OF THIS KIND THAN ANY OTHER FINANCIAL INSTITUTION IN THE WORLD. FOR THE FORESEEABLE FUTURE THE NECESSARY DECISIONS WILL BE MADE BY SAMA AND NO OTHER, ALTHOUGH THE FINANCE MINISTRY WILL, OF COURSE, PLAY A KEY ROLE. IF A LENGTHY COURTSHIP IS REQUIRED WE BELIEVE THE EFFORT SHOULD BE EXPENDED AND ARE WILLING TO EXPEND IT.

6. WE URGE EX-IM TO CONTINUE TO SUPPLY US WITH INFORMATION CONCERNING THE JORDANIAN PROJECT, TAILORED ACCORDING TO THE WISHES INDICATED BY SAMA, AND TO PROVIDE OTHER PROJECTS OF THE LARGER MAGNITUDE WHICH SAMA WILL PREFER. IN THE END, WE BELIEVE THE RESULTS WILL JUSTIFY THE EXPENDITURE OF TIME AND PROVE MR. CASEY'S ORIGINAL INITIATIVE TO BE SOUND AND WELL CONCEIVED.

7. THE ARAB INVESTMENT COMPANY, IN THE PERSON OF IBRAHIM AL IBRAHIM, HAS QUITE DIFFERENT CONCERNS. MR. AL-IBRAHIM MADE IT ABUNDANTLY CLEAR, AS HE HAS SEVERAL TIMES BEFORE, THAT HE STILL BELIEVES THE U.S. MADE A BLUNDER IN ATTEMPTING TO SPANK THE SUDAN, A COUNTRY IN WHICH THE COMPANY IS COINCIDENTALLY PLANNING TO PARTICIPATE IN A MASSIVE \$300 MILLION DOLLAR SUGAR VENTURE. MR. AL-IBRAHIM REPEATED HIS CONTENTION THAT THE CRIMINALS WHO COMMITTED THE MURDER OF U.S. PERSONNEL WERE IMPRISONED IN EGYPT, WITH THE KNOWLEDGE OF PLO LEADERS. ALTHOUGH THE ARAB INVESTMENT COMPANY IS NOT A MAJOR SOURCE OF FUNDS, AND IS INTERESTED PRIMARILY IN EQUITY, IT IS AN INFLUENTIAL INSTITUTION, AND AL-IBRAHIM'S OBSERVATIONS DESERVE TO BE HEARD. WE SHARE DOUBTS IN REFTEL (C) THAT HE WILL UNDERTAKE ANY KIND OF VENTURE WITH EX-IM UNLESS AND UNTIL THE BAN ON SUDAN IS LIFTED. WE ARE NOT RPT NOT URGING, HOWEVER, THAT THE BAN BE LIFTED FOR THIS OR ANY OTHER REASON.

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UNQUOTE INGERSOLL

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